

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, December 6, 2007.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable ROBERT MENENDEZ, a Senator from the State of New Jersey, to perform the duties of the Chair.

ROBERT C. BYRD,
President pro tempore.

Mr. MENENDEZ thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The majority leader is recognized.

SCHEDULE

Mr. REID. Mr. President, this morning, following any time used by the leaders, the Senate will conduct an hour of debate prior to a vote on the motion to invoke cloture on the motion to proceed to the AMT legislation, H.R. 3996. The debate time is equally divided and controlled between the leaders or their designees. Under an order entered last night, each leader will control 10 minutes immediately prior to the rollcall vote, with the majority leader controlling the final 10 minutes. The rollcall vote will occur probably around 11:40 this morning or thereabouts.

As a reminder to Members, I filed cloture on the Harkin substitute to the farm bill. If Members who are listed on the finite list of amendments to the bill have not filed their germane first-degree amendments, they will need to do so by 1 p.m. today. Of course, amendments already filed don't need to be refiled.

NORTH KOREA AND THE SUBPRIME MORTGAGE CRISIS

Mr. REID. Mr. President, I always try and be aware of what happens in the morning news. The first thing I do when I get up in the morning is listen to what is on the radio as to what has developed over the night. Everyone knows I have criticized the President on occasion, but I think it is also appropriate, when we hear some good news, to throw an accolade toward the President on occasions when there are good things to talk about.

I am confident of the reports we get this morning that the President sent a personal letter to North Korea's leader, Kim Jong-Il. He sent a letter. That is important. I have not read the letter, but all the news accounts indicate it is meant as a message to the leader of North Korea, to send a message that we want to work with North Korea. That is a positive step to breathe new energy into our diplomatic efforts with North Korea.

I have long advocated that we must reach out to people, even though we

don't like how they are conducting their government. Diplomacy must be grounded in communication and the personal touch. In taking this step with North Korea, I believe President Bush is taking a page out of Ronald Reagan's book of diplomacy.

There was no elected official, at the time President Reagan was elected President, who more disliked the Soviet Union and the Communist way of government and life. But the President, President Reagan, reached out to them. In his first day in office, he sent diplomats to the Soviet Union to try to work things out. As a result of that, he held meetings with people he didn't admire and maybe even respect, but he did that because he believed, as did Jim Baker, as Secretary of State, that it was the right thing to do. And it proved to be the right thing to do.

Too many throughout the world have come to view America's approach this past 7 years as "shoot first, talk later." I take this letter as a sign that President Bush has learned that communication is not a sign of weakness but a sign of strength.

As I have been saying since the national intelligence report on Iran was published earlier this week, we should be taking a diplomatic surge approach to Iran. The President should make Secretary Rice and Secretary Gates available to meet with their Iranian counterparts to begin those long overdue diplomatic efforts.

On another subject, Secretary Paulson this morning, with the President, will unveil the administration's strategy to address the crisis in subprime lending. We know the effort will not cover everything, but it is a step in the right direction. We don't know the details of this plan yet, but I am glad to see the White House beginning to address this awful situation that now threatens the homes, security, and the way of life of millions of Americans, including about 150,000 Nevadans.

In Nevada, we continue to work hard locally with constituent services and in education to make at-risk homeowners aware of the options available to them. This crisis calls for national leadership and we look forward to Secretary Paulson's proposal. We believe our proposal, FHA Modernization Act, goes even further than the administration's.

Earlier this week, Secretary Paulson called upon Congress to pass the FHA bill. Mr. President, we have been trying to do that. We have been prevented from passing it because of the Republicans. Secretary Paulson is part of a Republican administration. He should lean on the minority here in the Senate to allow us to get this passed. I call once again upon Senate Republicans to heed the call of millions of at-risk homeowners and to heed the call of Secretary Paulson, to pass the FHA Modernization Act. The only thing standing in the way of passing this bill, so we do not pass it, is the Republicans.

On November 15, we tried at the same time to pass the FHA Act to assist at-risk homeowners and the Transportation-HUD appropriations conference report. That bill was so important because, in that, Senator MURRAY provided \$200 million for foreclosure counseling and mitigation. We have learned over the months this foreclosure crisis has been before us that people simply need to know how to get out of the problem they have. People in the home will lose, the lender will lose, the community where the home is located will lose. We need to try to keep people in these homes. That is why the FHA Modernization Act is so important.

The Banking Committee sent the FHA Modernization Act to the floor with a 20-to-1 vote. As I said, Secretary Paulson, whom I respect, called for Congress to pass it. We can't do it unless he gets his Republican Senators to support this.

Much of the burden for this crisis that exists in America today has to be met by the Finance Committee. The chairman of the Finance Committee is on the floor today. With him being present, I am going to ask unanimous consent the Senate proceed to the immediate consideration of Calendar No. 481, S. 2338, the FHA Modernization Act; and that the Dodd-Shelby amendment at the desk be considered and agreed to; the bill, as amended, be read a third time, passed, and the motion to reconsider be laid on the table, and any statement relating to this matter be printed at an appropriate place as if given.

Mr. President, before I hear from my Republican colleagues as to whether there is going to be objection, let me repeat: The Secretary of the Treasury, appointed by President Bush, has called for passage of this legislation. We want it passed. We hope it could be passed. It would do a great deal to alleviate some of the problems facing our country.

I met yesterday with realtors from Nevada. They said if this passed, it would be a tremendous boost to their ability to work out some of the problems we are having in Nevada, as we are having around the country.

I came to the floor to say positive things about the President's actions to help as many as 200,000 people. That is, their efforts today, his and Secretary Paulson's efforts today, will help about 200,000 people. That is about 10 percent of the people in real trouble.

Is that enough? Of course it is not enough. But it is a step in the right direction. This FHA unanimous consent request I have made is also a tremendously big step in the right direction. I hope my Republican colleagues will not object and we can go forward with this legislation.

The ACTING PRESIDENT pro tempore. Is there objection?

The Senator from Wyoming.

Mr. BARRASSO. Mr. President, I object on behalf of Senator COBURN.

The ACTING PRESIDENT pro tempore. Objection is heard.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, leadership time is reserved.

TEMPORARY TAX RELIEF ACT OF 2007—MOTION TO PROCEED

The ACTING PRESIDENT pro tempore. Under the previous order, there will be 1 hour of debate, prior to a vote on the motion to invoke cloture on the motion to proceed to H.R. 3996, with the time equally divided between the two leaders or their designees, with the 20 minutes immediately prior to the vote to be divided 10 minutes each for the leaders, with the majority leader controlling the final 10 minutes.

The Senator from New Hampshire is recognized.

Mr. GREGG. What is the order of recognition? Is it the Democratic side or Republican side?

The ACTING PRESIDENT pro tempore. There is no order of recognition.

Mr. GREGG. Does the Senator wish to proceed?

Mr. BAUCUS. You go ahead.

Mr. GREGG. I will be happy to allow you.

Mr. BAUCUS. Mr. President, I yield myself such time as I consume.

The ACTING PRESIDENT pro tempore. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, in the 1931 film classic, "Frankenstein," the character Dr. Waldman tells Dr. Frankenstein:

You have created a monster, and it will destroy you.

That is how the AMT looks to the Tax Code. That is what it looks like. It is a monster. It is a thing of dread for many Americans. Unless we act, it will destroy the entire tax system. If we don't act pretty soon, the AMT tax will be greater than the individual Federal income tax. This tax is a problem for taxpayers in all 50 States. I must give a few numbers as to what will happen if we don't extend the AMT patch.

Let's take Texas. The number of Texans subject to the alternative minimum tax, if we do not act this year, would increase from roughly 150,000 taxpayers in Texas to 870,000 taxpayers. That is about a sixfold increase in 1 year.

The number of Nevadans subject to AMT would increase from about 15,000 to about 100,000—again, a little over a sixfold increase.

The number of South Carolinians would increase from 30,000 to 190,000, again a large increase, about 6 times.

That is about average across the country, six times more Americans will pay more taxes under the AMT if we don't act, compared to what they were otherwise paying.

Even taxpayers who do not pay the AMT tax are hurt. Why? Because taxpayers have to calculate not only the regular tax, but taxpayers then have to calculate the alternative minimum

tax. That is the law. You have to do both.

First, you have to calculate all your regular taxes. Then you have to calculate what taxes you may pay under a whole separate system of AMT. So even though you may not pay more under the alternative minimum tax, you have still got to go through a second calculation. That is not a lot of fun. Then, if the second calculation shows you pay more under the alternative minimum tax, guess what. You have to pay more. You cannot choose to pay the lesser of the two; you have to pay the greater of the two. That is the law.

Again, the monster created by the Congress years ago, unintended consequences, but a monster we can eliminate, if not destroy, if we take action today.

Calculating taxes once is scary enough. Calculating taxes twice is almost enough to destroy a person. It may also cause significant financial hardship. Why? Because in today's economy, families depend on that refund check. It is getting close to Christmas. People are buying presents. Sometimes they run up their credit cards a little bit. They are depending upon that refund check to pay off their credit card balances. A lot of Americans do that. A lot of Americans do that.

Think of the taxpayers who think they are going to get a refund from the Federal Government. But then, if we do not fix this AMT problem, what happens? They get the letter in the mail telling them they have to pay more taxes because of the AMT. Talk about your horror story.

Here is an example of how AMT hits working families. Let us take a married couple, four young children. What is their household income? A whopping \$75,000 a year. Their regular income taxes should be about \$1,800. That is probably what they pay. This is after the standard deduction and after the child tax credit.

Again, a family with a \$75,000 income, family of four, pays about almost \$2,000. Not quite, because they are able to take a standard deduction for the child tax credit.

Well, let's see what happens when we calculate the alternative minimum tax. Same family. Same income. The amount more than doubles this family's tax liability. It raises their tax from \$1,800 to \$3,800. More than twice. More than twice.

That is a family earning \$75,000. Not a huge, big-income family. That is a \$75,000 family. The AMT hits this family not because they are rich, because they are not. Why? Because they have four kids. That is kind of how it works. It is perverse. If you have more children, you pay more taxes. That is kind of nutty, but that is what it is today.

The AMT will cost taxpayers because it costs the Federal Government. A delay will create delayed tax return filings, and last minute legislation will delay the issuance of Federal refunds.

With each extra day we delay, the greater the cost. The greater the cost to taxpayers, the greater the cost to the IRS. The cost mounts up.

Let's look at some of the costs of delay. If the IRS has to postpone accepting returns to the early part of the filing season, say January 28, this would delay the receipt of more than 6.5 million returns, delay the issuing of more than 5.5 million refunds, totaling more than \$17 billion, delay about \$17 billion worth.

A delay in fixing the alternative minimum tax affects States. We are not just talking about the Federal income tax, we are talking also about State taxes. Why? Because most State taxes are tied to the Federal tax system.

A delay in the Senate will mean not only a delay in the Federal tax receipts but also a delay in the State tax refunds, Federal and State.

A delay will also mean States that are already financially strapped could have a cash crunch. Think of the States' coffers. Their normal flow of tax revenues will not be coming in. Many States are very tightly budgeted. I know that is true in the State represented by the officer in the chair. I hear many times about the tight fiscal situation in that State.

That is true for most States. If tax agencies cannot reprogram their computer systems in time, States and the IRS are concerned taxpayers will turn back to paper returns. What is the consequence of paper returns? It leads to an increase in processing times and costs as well as more errors.

Let's take the State of Montana. In Montana, it costs \$2 to process an electronic return, \$2. But it costs \$9 to process a paper return. I daresay that disparity is probably true in most States.

At a time when families are experiencing hardship, I must say the other side of the aisle is playing politics. They are not letting us fix this problem. They, in effect, consequently want to increase taxes. They are increasing taxes. How? By causing the alternative minimum tax to be imposed upon Americans, by not letting us fix the alternative minimum tax.

You watch that vote that is coming up. We are not going to get 60 votes. You watch how, when the leader is going to request we take up the House-passed bill, and the substitute measure where we fix the AMT patch, unpaid for, they will object to that. They do not want to fix this problem. They say they do, but their actions are louder than the rhetoric. They are raising taxes. They are raising taxes by not allowing us to fix the alternative minimum tax patch for 2007.

In the 1945 B movie "House of Dracula," the character, Dr. Edelman, says of Frankenstein's monster:

He's indestructible. Frankenstein's creation is man's challenge to the laws of life and death.

Let's prevent that from being said about the AMT. Let's prove the AMT is